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SUBJECT: OPIC: DAMIETTA PORT PROJECT

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¶1. (SBU) The Ambassador and Nancy Rivera, OPIC Director of Structured Finance, met with Minister of Transportation Mansour to discuss the Damietta port project. Rivera explained that in order for OPIC to help finance the project, the GOE would need to amend the concession contract. The contract was approved by the Cabinet, so any amendments would also need Cabinet approval. The first of the amendments grants authority to the financiers to take control of the operation if the project is failing. The second is to indemnify the financiers in the event the GOE takes an action or passes a law that adversely affects the project. Rivera explained that without these clauses, not only would OPIC not participate, but the project would not likely attract any international finance. Mansour agreed to present the amendments to the Cabinet and was confident he could obtain the support needed for approval.

¶2. (SBU) The DCM and Rivera also met with Minister of Investment Mohieldin to brief him on the amendments. Mohieldin expressed his support and shared Mansour's optimism that the Cabinet would approve the amendments. He also asked for follow up on OPIC's expression of interest in supporting projects in Egypt's real estate sector. Mohieldin is the driving force behind GOE efforts to encourage mortgage finance in the real estate sector, which currently operates on informal financing schemes controlled by real estate developers. OPIC President Mosbacher and Vice President for Structured Finance Drumheller visited Egypt last summer to discuss the possibility of OPIC backing for low-cost mortgage financing through commercial banks. Rivera agreed to convey Mohieldin's request to the appropriate OPIC officials in Washington.

¶3. (U) Background: The Damietta port project is a concession from the Cabinet to a Kuwaiti company to build a private container processing facility alongside the public facility in Damietta. The GOE hopes that competition from the private facility will improve overall services at the port. The Kuwaiti company is seeking international finance for the project, including from OPIC. Although the two clauses mentioned above are normally part of a concession contract such as the one for Damietta, they were not included in the Damietta contract.
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